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DE RUEHVJ #0577 0721302
ZNY SSSSS ZZH
R 131302Z MAR 07
FM AMEMBASSY SARAJEVO
TO RUEHC/SECSTATE WASHDC 5686
INFO RUEHBW/AMEMBASSY BELGRADE 0366
RUEHCV/AMEMBASSY CARACAS 0004
RUEHNO/USMISSION USNATO 0117
RUFOAOA/USNIC SARAJEVO
RHMFISS/COMUSNAVEUR NAPLES IT
RUEKJCS/JCS WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RUEKJCS/OSD WASHDC

S E C R E T SARAJEVO 000577

SIPDIS

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PM/RSAT, EUR/SCE (DICARLO, HOH, FOOKS), ISN/CATR, WHA, L,
EUR/RPM (BROTZEN), P (BAME), D (SMITH), NSC FOR BRAUN,
USNIC FOR WIGHTMAN AND MCLANE, USNATO FOR SHAFFER

E.O. 12958: DECL: 03/11/2017
TAGS: [EUN](#) [MARR](#) [MASS](#) [PARM](#) [BK](#) [VE](#)
SUBJECT: MINISTRY OF FOREIGN TRADE HOLDS LINE ON VENEZUELAN
ARMS SALE

REF: A. SARAJEVO 442

[1](#)B. 06 STATE 132053
[1](#)C. 06 SARAJEVO 2674
[1](#)D. 06 SARAJEVO 1974

Classified By: DCM Judith B. Cefkin, for reasons 1.4 (a) (b) and (d).

[1](#)1. This is an Action Request. See para 5.

[1](#)2. (S/NF) Summary. The DCM called on newly-installed State Minister of Trade and Economic Relations (MoFTER) Slobodan Puhalc, a Serb from PM Dodik's Party of Independent Social Democrats (SNSD), in advance of the visit of a Venezuelan delegation to BiH. She asked Puhalc to "hold the line" against any sales of weapons or ammunition to Venezuela. Puhalc stressed the difficulty the issue was causing since the issue of a 2004 license for ammunition sales to Venezuela, which was later revoked, had still not been resolved; Igman Konjic, the company producing the ammunition, received payment in advance to produce the ammunition and was not able to repay the Venezuelans after cancellation of the license. Puhalc feels the BiH government, as well as Igman Konjic, is potentially legally liable since the GBiH initially granted the license in 2004 and then under USG pressure revoked the license. Puhalc stressed that MoFTER would gladly hold the line on future licenses, as long as it has advance notice of our concerns, but he said that this case presents a real dilemma. He appealed for USG help in solving the predicament.

[1](#)3. (S/NF) In advance of the visit of a Venezuelan delegation to BiH, the DCM called on newly-installed State Trade Minister Puhalc on March 12. She mentioned the good relationship between the Embassy and the former MoFTER minister and expressing the hope that the new Minister would continue to "hold the line" against arms/ammunition sales to Venezuela. Puhalc and Assistant Minister Dragisa Mekic stressed they would continue to follow the correct licensing procedure and respect the Ministry of Foreign Affairs' request to block the license issuance on foreign policy grounds (Ref A). They were concerned, however, with the final disposition of the 2004 contract between the Venezuelan government and arms producer Igman Konjic to purchase

ammunition worth 7.3 million USD. A license was issued at the time but was subsequently cancelled by the Bosnian government after payment was made and the weapons produced, but before the ammunition was shipped. The company cannot simply return the payment because the funding was used to produce the ammunition. Meanwhile, the ammunition sits unsold - a MoFTER inspector visited the company in November 2006 to ensure the ammunition had not "gone missing."

¶4. (S/NF) Minister Puhacac felt that the BiH government and Igman Konjac faced possible legal repercussions if the Venezuelans did not get their money back. The DCM asked whether there had been any attempt to find another buyer for the ammunition. Puhacac was aware that former officials from the Embassy had been looking into it, but did not know where the issue stood. He stressed several times that in the future, licensing would precede any commercial arrangement and payment to prevent a repeat of the situation. Puhacac expressed a willingness to continue working with the Embassy to find a solution, but suspected that the Venezuelans would demand satisfaction or continue to threaten a lawsuit.

¶4. (S/NF) Action Request. Post would appreciate any Department assistance in identifying prospective legitimate buyers who might have a need and an interest in procuring this ammunition. End Action Request.
MCELHANEY